



# FACT SHEET

## Community Development Block Grant

The Community Development Block Grant (CDBG) program provides financial assistance to grantees for a variety of community development purposes.

Since the program's inception in 1974, almost \$87 billion has been allocated to grantees. The 1999 allocation for formula grantees was \$4.2 billion. Each year the U.S. Department of Housing and Urban Development (HUD) uses a formula to calculate the grant amount for each metropolitan city, urban county, and State.

There are currently 842 cities and 147 counties that are eligible to receive a CDBG entitlement grant directly from HUD. Each year 48 States and the Commonwealth of Puerto Rico award more than 3,000 CDBG grants to other small cities and counties from CDBG funds allocated to the States by HUD. HUD awards non-entitlement grants to small cities and counties in the State of New York. Funds for non-entitlement grants are awarded by HUD to Hawaii's three non-entitlement counties on a formula basis.

One of the cornerstones of the CDBG program has been that it allows grantees to set their own priorities for the funding of activities. Grantees can use the funds for public facilities (such as day care centers or health centers), public improvements (such as street improvements),

public services (such as social programs for the elderly, youth, or abused), housing activities, economic development, urban renewal, or planning and administration. Grantee use of funds has changed substantially since 1975 when the first CDBG grants were made. The First Annual Report to Congress reported that the percentage of funds for "clearance related activities" by entitled grantees was 41.9 percent; for "housing" it was 14.4 percent; and for "public works" it was 37.2 percent. Funding for "public services" was a meager 4.3 percent, and there was no funding for economic development. As of September 30, 1998, entitled grantees were spending 7.6 percent of CDBG funds for acquisition/clearance/urban renewal (which is similar to the original "clearance" category), 27.0 percent for housing, 23.4 percent for public facilities and improvements, 13.8 percent for public services, and 6.4 percent for economic development activities.

A major requirement of the CDBG program is that grant funds must be used primarily to benefit low- and moderate-income people. Grantees consistently report that more than 90 percent of the funds finance activities primarily benefiting low- and moderate-income people.

Housing and economic development are two critical activities funded by CDBG. An Urban Institute study of the CDBG program found that CDBG is one of the largest sources of nontax Federal assistance for the construction or rehabilitation of privately owned housing. CDBG





funds for housing predominantly fund rehabilitation (81 percent of housing funds). CDBG funds

for housing leverages an additional \$2.31 for every

CDBG dollar spent on housing. The study further found that CDBG economic development assistance is primarily to small businesses. More than half of all businesses assisted with CDBG funds employ five or fewer persons. The percentage of minority-owned businesses receiving CDBG funds is three times greater than their national share of all businesses in the country.

In addition, jobs created through CDBG-funded programs meet the basic tests of

job quality—89 percent of the jobs remain after 4 years; 96 percent are full-time jobs; 90 percent pay more than the minimum wage; and 32 percent are held by residents living in the neighborhood in which the business is located.

In its most recent report to Congress HUD estimated that between 1994 and 1996 more than 641,000 housing units were developed or rehabilitated with CDBG funds (see table 1). For the same period HUD estimated that CDBG funds created approximately 445,000 jobs (see table 2). HUD estimates that CDBG grantees will use 1999 funds to rehabilitate or construct 198,000 housing units, and create 145,000 jobs from economic development activities.

**Table 1: Housing Development or Rehabilitation With CDBG Funds, 1994–96**

Activity	1994		1995		1996	
	<i>Entitlement</i>	<i>State</i>	<i>Entitlement</i>	<i>State</i>	<i>Entitlement</i>	<i>State</i>
Housing						
Rehabilitation	168,914	20,487	163,922	24,130	159,719	28,568
New Construction	13,662	401	13,187	603	12,848	153
Homebuyer Asst.	11,226	335	11,522	295	11,227	57
<b>Total</b>	<b>193,802</b>	<b>21,223</b>	<b>188,631</b>	<b>25,028</b>	<b>183,794</b>	<b>28,778</b>

**Table 2: Jobs Created With CDBG Funds, 1994–96**

Jobs Created	1994	1995	1996
Entitlement	92,000	90,000	87,000
State	68,000	62,000	46,000
<b>Total</b>	<b>160,000</b>	<b>152,000</b>	<b>133,000</b>

